

# **IMAGE RECOGNITION INTEGRATED SYSTEMS GROUP S.A.** **(abbreviated as I.R.I.S. Group)**

Regulated information

**Under embargo until 17:45 on 27 August 2009**

Louvain-la-Neuve, 27 August 2009

- **Mixed trend during the first half of 2009**
- **Satisfactory mid-year profitability: EBITDA €3.8 million**
- **Good medium-term outlook**

The I.R.I.S. Group reports satisfactory results at the end of the first half of 2009. Numerous opportunities materialized, resulting in reasonable operating profitability, considering the general economic situation. The key figures are shown below. It should be noted that the key performance indicator is the gross margin.

<b>Consolidated results at 30 June (EUR)</b>	<b>30/06/2009</b>	<b>30/06/2008</b>	<b>30/06/2007</b>
<b>Operating income</b>	<b>50,359,665</b>	<b>58,780,321</b>	<b>39,907,161</b>
<b>Gross margin</b>	<b>29,745,856</b>	<b>28,351,273</b>	<b>21,756,693</b>
<b>Cash flow from operations (EBITDA)</b>	<b>3,770,786</b>	<b>5,103,849</b>	<b>3,952,260</b>
<b>Net income for the period (group share)</b>	<b>1,762,755</b>	<b>3,179,140</b>	<b>2,263,441</b>

**Pierre De Muelenaere, President and CEO:** "In a particularly unusual world context, the first half-year was marked by several positive elements:

- The company's profitability was satisfactory in the context of a major economic crisis. Although it is down compared to the first half of 2008, it should be remembered that the results for the first half of 2008 were exceptionally high. In addition, the gross margin continued to increase.
- Two very important events must be emphasized:
  - We finalized the acquisition of CORISMO on 16 January 2009: this company from Antwerp offers expertise that enables us to offer outsourced solutions more quickly for monitoring and remote management of IT infrastructures, as well as for invoice recognition, identification and sorting of incoming mail in SaaS (Software as a Service) mode, and in particular for data backup and digital archiving. Good contracts were signed during the first quarter, and we are therefore confident that this acquisition was appropriate and will make a positive contribution to our operations and results. The company was integrated very quickly and gives us an ideal positioning for short or medium-term growth.
  - A strategic agreement was concluded with CANON on 2 February 2009, concerning the leading products IRIS Powerscan™ (Scanning platform), IRIS Document Server™ (Conversion to indexed documents and OCR), IRIS Capture™ (Invoice recognition, document classification, formreading) and Readiris™ Corporate (OCR), aimed at extending our integrated scanning range. We were then pleased to welcome CANON as an investor in our company. On 16 July 2009, CANON acquired a 17% stake in I.R.I.S., with the aim of increasing sales of I.R.I.S. solutions among Canon customers, including SaaS sales.

These elements are part of a long list of excellent achievements, and numerous important contracts. "

**Etienne Van de Kerckhove, CEO:** "Operating income amounted to €50.4 million (compared to €58.8 million at 30/06/2008). This may be seen as satisfactory in this period of economic crisis, since we have noted that certain customers have delayed or staggered major investments. This particularly affected sales of hardware, while sales of software and services are increasing. More importantly, the gross margin (the key indicator for assessing I.R.I.S.'s performance) increased by 4.92% to €29.8 million, compared to €28.4 million in 2008

Very good contracts were signed and carried out at the start of the year, for both software editing and solutions integration. These include in particular:

- Automation for a local partner of vote counting in the elections in South Africa, (300 scanning stations managed by IRIS Powerscan™ software)
- New international distribution agreements for I.R.I.S. products with Canon, AvNet and eCopy

- Deployment of numerous mass scanning sites, in particular for SPF Finances (B), the Swiss post office (CH), Pactiv (D) etc.
- A new contract for outsourced services for IT infrastructures management, for the magazine publisher Roularta
- A contract with TEC Charleroi for scanning and automatic recognition of forms
- A very important 4-year framework contract with the SNCB, concerning the acquisition of an application suite for ECM projects (scanning of documents, electronic document and process management) and consultancy, implementation, training and maintenance services during deployment of ECM application projects.
- Numerous projects for electronic document management with major European accounts, such as: ARAG (B), Significant (NL), Mutuelle IBM (F), Schjødt (N), Federal Public Service Justice (B), Mutuelle de l'Aéronautique (F), Raffers (NL), Wikborg Rein (N), Evides (NL), BA-HR (NO) and Federal Public Service Economy (B)
- Very attractive projects for infrastructure virtualization (servers, storage, desktops) such as: D'Ieteren (B), Town Hall of Saint-Michel-sur-Orge (F) and Arendt & Medernach (L)

The cash flow from operations (EBITDA) amounted to €3.8 million at 30 June 2009 compared to €5.1 million in 2008. The operating income (EBIT) amounted to €2.8 million at 30 June 2009 compared to €4.6 million in June 2008, which was an exceptional half-year. This reduction in operating profit flows from I.R.I.S.'s faith in the medium term. Indeed, we consider that the staff - which represents by far the main operating expense - is also the company's main asset and that the competence and expertise of our staff are key to go through the financial crisis and then benefit from the turnaround as soon as it occurs. Consequently, we did not proceed to any global reduction in employment. On the other hand, the salary indexation in January 2009, in Belgium and Luxembourg (despite the economic situation), also had a negative impact.

Finally, the net result is impacted by a significant foreign exchange conversion expense of 233,000€ on the USD."

**Pierre De Muelenaere, President and CEO:** "The I.R.I.S. Group is of course keen to control its costs. Several cost control programmes have been introduced: in particular, supply contracts have been favourably renegotiated. However, these efforts do not make it possible to offset the increases in costs, for example as a result of index-linking of salaries (in Belgium and in the grand duchy of Luxembourg). Under the current circumstances, we are maintaining a very prudent attitude towards recruitment and expenses.

On the other hand, we have deliberately decided to continue our R&D investment policy and our efforts to innovate, which resulted in:

- the marketing of IRIS Powerscan™ 9, a new version of the scanning platform, fully integrated with SharePoint®! IRIS Powerscan™ 9 is a complete professional solution for scanning, structuring, sorting, indexing and converting all types of documents into fully-indexed text files. These files can then be exported, with the indexed data, to document management systems such as Microsoft® SharePoint®.
- the launch of the new family of IRIS Document™ 9 products, incorporating iHQC™, a high-performance and revolutionary compression technology developed by I.R.I.S.
- The successful launch of Readiris Pro 12, the leading OCR software package in the I.R.I.S. product range, which received very positive reviews in the international specialized press.

Our products enable our customers to improve their productivity. The acquisition of CORISMO also offers new possibilities. "

### **Outlook**

We have a large backlog of orders. However, it is difficult to make forecasts since trends are mixed and the markets are more volatile. The level of activity is satisfactory, but the profit at the end of the year will be lower than in 2008. In the medium term, since our solutions directly help to improve our customer's efficiency, we are confident about our outlook, and convinced that I.R.I.S. will be ready to benefit from the economic recovery, as soon as it happens.

**Denis Hermesse, CFO:** "The company has a very sound capital structure, with large financial resources and increased shareholders' equity thanks to the profits that we continue to post. I.R.I.S. took out a 5-year €7 million loan under very favourable conditions with various banks, in order to increase the cash reserves that are immediately available, and take advantage of the low rates. Therefore, large cash reserves are available (€14.6 million) in addition to undrawn credit facilities (€13.5 million at 30/06/2009). "

**Forward Looking Statements**

This press release contains forward-looking statements with respect to the business, financial condition, and results of operations of I.R.I.S. and its affiliates. These statements are based on the current expectations or beliefs of I.R.I.S.'s management and are subject to a number of risks and uncertainties that could cause actual results or performance of the Company to differ materially from those contemplated in such forward looking statements. These risks and uncertainties relate to changes in technology and market requirements, the company's concentration on one industry, decline in demand for the company's products and solutions, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. I.R.I.S. undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.